

# Statutory charges FY22/23: Consultation document

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## Chapter 1 - Introduction

This consultation document explains our proposals for revisions to the existing CAA Charges Schemes, due to take effect from 1 April 2022.

We believe our proposals represent a balanced approach to charging, reflecting the ongoing fallout from Covid-19 and the important role of the CAA in industry's recovery. We look forward to receiving feedback on these proposals, in particular from those we regulate.

We welcome comments on all aspects of the proposals, including the charges structure and the level of the charges. Please could you use the CAA Statutory Charge FY22/23 Consultation [online submission form](#). The consultation closes at midnight on 3 February 2022.

### Overview of our proposals

The CAA continues to be acutely aware of the significant impact the COVID-19 pandemic has had on the aviation and aerospace industries and the challenges still being faced by these industries in their recovery. As such, we continue to work closely with both industry and government to assist with the safe gradual recovery of the sector whilst continuing our regulatory responsibilities. Since the start of the pandemic in March 2020, we have made changes to proportionately manage regulation and continue to work flexibly with the industry in responding pragmatically to the continued challenges presented by the virus.

Over the past two years the CAA has maintained its prices at FY19/20 levels in recognition of the financial impact of COVID-19 on industry. The effect of vaccination programmes worldwide has provided a stronger recovery to the aviation and aerospace industry in recent months than previously anticipated.

Forecasts received from the DfT earlier in the year suggested a slower pace of recovery, with passenger volumes expected to reach 10% of the 2019 baseline by August 2021 and 28% by March 2022. Despite actual volumes remaining very low in comparison to 2019, they were stronger than forecast, with 25% achieved in August with our latest forecasts suggesting they will reach 36% by March. It is clear that the aviation and aerospace industry still has a significant way to go in its return to pre-COVID-19 levels, and the impact the past 20 months or so have had on organisations should not be understated, however the improving passenger volumes do provide more cause for optimism and an indication that the recovery is underway.

Since the start of the pandemic CPI has increased by 7.2%, building increased cost pressure on the CAA. In recognition of the increases to inflation forecast for the coming year the CAA considers it is now necessary to raise our charges. As such, a general price increase of 2.9% is proposed across all Charges Schemes in FY22/23, in line with the current rate of CPI inflation with the exception of the Spaceflight scheme.

In addition to the general price increase there are a number of proposed charges included in this consultation that relate to new activities the CAA expects to undertake in FY22/23. These result mainly from changes in legislation, as well as minor structural changes to the schemes. It should be noted, however, that due to the uncertainty surrounding the implementation of the Design and Certification charges in FY21/22 a further review of the charging structure for these activities has been undertaken.

A significant portion of the CAA's revenue continues to be directly linked to industry volumes, primarily in relation to airline and passenger traffic, accounting for roughly 40% of the CAA's total revenue base prior to COVID-19. As with industry, the travel restrictions imposed by governments around the world continue to create a substantial gap in our funding model. Whilst we have taken measures to operate in a more efficient manner since the pandemic began, it is essential that we continue to support industry and the safety and security of passengers and the public in the recovery through providing the necessary level of oversight and regulation. This view has been, and continues to be, supported by the DfT throughout the pandemic, who have provided the CAA with financial assistance to cover our funding gap, ensuring we are able to continue to operate at the required standard.

## Chapter 2 - Key Update

### EU transition

At the end of the EU exit transition period on 31 December 2020, the CAA ended its participation in EU and EASA systems and the EU law that was in place at that point was transferred under UK jurisdiction.

As a result of those changes, the CAA took on a number of new and extended responsibilities across a range of our functions. We had been preparing for a number of years and completed an extensive programme of work to help prepare ourselves and UK industry for the changes that happened. Over the point of transition, the CAA stood up an incident handling operation which helped ensure that the minor issues that arose as the majority of change happened were dealt with efficiently and effectively.

During 2021, our EU transition activity has focussed on supporting effective implementation of the agreements on aviation safety and air services that were agreed between the UK and EU; helping stakeholders navigate the impact of the changes to legal and regulatory arrangements; facilitating the process of obtaining UK pilot and maintenance engineer licences; and ensuring that the range of new and extended functions that we assumed are fully operational and effective.

Our new functions to support Design and Certification responsibilities approved over 100 design organisations, have completed over 100 certification projects and have hundreds more underway. New organisation and processes for the development of aviation safety rules and policies have been established and we are a long way through successful completion of a first-year programme of activity.

Work related to EU transition will continue in FY22/23. The focus of the next phase of work relates to the ending of provisions that have maintained the validity of certain EU certificates within the UK system up to now. At the end of the EU transition period a broad scope of EU certificates retained their validity for a period of up to two years. This enabled UK individuals and businesses some flexibility in adjusting to the legal changes that happened at the end of the EU transition period and reduced the risk of disruption to services supplied to UK businesses by EU service providers. Their impact on CAA's EU exit preparations was to effectively delay the point at which certain things had to be done.

The unwinding of the saving provisions creates a need for businesses and individuals to take action to ensure that they continue to hold the permissions that they need and for CAA to meet an extended demand for regulatory activity in a number of key areas.

To ensure that there is sufficient awareness amongst these stakeholders about the need for new approvals, and to encourage them to make timely applications, we will be repurposing our dedicated EU Exit microsite and undertaking an extensive outreach campaign.

We are currently assessing the changes to our operational capacity required for us to meet the increased volume of approval and oversight activity that we will need to do as a result of these changes. During FY22/23, we'll make sure that we are in a position to handle the volume of applications and oversee the new organisations under our remit and that we have the correct balance of resources between the range of new responsibilities that we have taken on as result of EU exit.

## **Activity to support industry during COVID-19**

The CAA remains acutely aware of the continuing impact that COVID-19 is having on the aviation industry, even through the recent period of initial recovery from the pandemic. The CAA has been proactive in the measures taken to support industry in mitigating that impact, as well as supporting industry through the current period of uncertainty and changing demand throughout the post-Covid recovery.

Below is more detail on some of the key activities that we have carried out to support Industry and have been requested to undertake through the pandemic.

### **DfT Financial Support**

The CAA is funded by those it regulates, with in the region of 40% of its income normally derived from variable charges linked to aviation activity. As a result of the response to the COVID-19 pandemic, aviation demand collapsed in the spring of 2020. Following a depressed and volatile period for the aviation and aerospace industry through FY20/21 and the start of FY21/22 brought about by variants of concern, subsequent lockdowns and restrictions on international travel, the success of the vaccination programme worldwide has facilitated a recovery in recent months.

Following discussions with the Department for Transport (DfT) at the outset of the pandemic, an agreement was reached for section 12 funding to be provided to ensure the CAA's ability to continue to carry out its statutory duties. In total, section 12 funding of £37m was received from the DfT for FY20/21 and initial funding of £24.8m being agreed with the DfT for FY21/22. This was forecast prior to the impacts of the COVID-19 variants of concern being felt by industry, therefore the continuing DfT commitment to provide additional support as and when required is likely to be relied upon in the current financial year. Our latest forecast indicates that our section 12 funding requirements for FY21/22 could be in the range £40m-£50m, depending on the recovery in passenger volumes in the coming months.

### **Regulatory Oversight**

Our regulatory oversight methods had been modified using risk-based principles during the pandemic to take account of the realities felt across the aviation industry and in the last few months our engagement has focused on assuring a resilient recovery phase. We have taken a highly collaborative approach throughout the pandemic in recognition of the many challenges offering support and latitude where needed, and we continue to work closely with our stakeholders in the safe return to full global operations.

### **Covid-19 Enforcement**

In response to the Covid Pandemic, during 2021 the UK Government introduced The Health Protection (Coronavirus, International Travel and Operator Liability) (England) Regulations 2021 (the Regulations). These place a requirement on airlines to undertake various checks of passenger's documentation prior to arrival into England. There have been a number of amendments to this legislation during the course of the year, which has meant that these requirements have varied at different points in time during the year. However, checks have included: the requirement to check a passenger's "Passenger Locator Form" (PLF); the requirement to check a passenger's Pre-Departure Covid-19 PCR test; and the requirement to ensure that, where a passenger is claiming the "Vaccination Exemption" from quarantine and testing, that passenger has appropriate evidence of being fully vaccinated. The CAA is the enforcement body for the Regulations in England. In response to the introduction of this Covid Enforcement role, the CAA has set up a team to undertake enforcement activities.

The CAA carries out its enforcement of the Regulations through (1) the provision of information by Border Force, (2) undertaking "systems and process audits" which seek to ensure that an airline has appropriate procedures in place to ensure that they are carrying out their obligations in line with the Regulations; and (3) undertaking spot checks of passengers arriving at airports across England.

Given the ongoing uncertainties surrounding the Covid-19 pandemic, the CAA has no visibility over how long the requirement to undertake this enforcement role will remain in place.

This costs of this activity are being fully funded by the DfT and the associated fines collected by the CAA on the DfT's behalf are ringfenced and remitted to the DfT on an interim basis.

### **ICAO Council Aviation Recovery Team (CART)**

In February 2021, the CAA, in partnership with Public Health England (now UK Health Security Agency, UKHSA) launched a voluntary programme of assurance for implementation of ICAO's Covid public health measures in aviation. These are the measures contained in the ICAO Council Aviation Recovery Team (CART) 'Take Off

Guidance Document'. The UK Government's first Global Travel Taskforce report in November 2020 made a series of recommendations, including that there should be:

"A system of assurance of air travel: led by the CAA, this assurance will evidence the industry's implementation of international guidance, helping increase consumer confidence and demonstrating the UK's leadership."

The programme we have rolled out has provided independent assurance that, for those organisations participating, the measures in place to provide Covid-security are in line with ICAO's guidance. The airports who have engaged with the process to date cover over 80% of UK passenger traffic in 2019. The programme has given those airports more confidence in the processes and procedures in place, as well as sharing best practice and public health expertise: the assurance teams combine the expertise of CAA safety regulators, CAA aviation medics and UKHSA public health specialists.

Airlines, other than British Airways (who supported the development and testing of the programme), are still faced with a multitude of international requirements and have not yet felt able to engage. In phase 2 of the programme we will be sampling the effectiveness of measures as airport volumes increase and using that data to help the DfT formulate the UK's approach to the subject at next year's ICAO Assembly as we continue to push for common international standards in support of the industry.

### **Support to UK Government**

Throughout the year, the CAA has focussed on its regulatory roles and has additionally provided support to Government. This has included by:

- Undertaking the Covid-19 enforcement roles set out above;
- Supporting Government with its work at ICAO on CART; and,
- Using the CAA's convening role through the Aviation Operation Directors Leadership Group, provided advice and input to Government on the Global Travel Taskforce recommendations and input into the Expert Steering Group.

## Chapter 3 - Main charge proposals

### General price increase

The CAA recognises the significant financial impact that the COVID-19 pandemic has had on the aviation and aerospace industry since March 2020. In recognition of this the proposed general price increase that was planned for FY20/21 of 1.7% was cancelled and prices have been frozen since. In this period we have seen CPI inflation continue to rise, with the Office for Budget Responsibility anticipating a peak of 4.4% in the second quarter of 2022, decreasing slightly to 4% by the end of 2022. It is expected that by the end of FY22/23 the CPI increase since the start of the pandemic will have reached 7.2%.

In addition to the impact of the COVID-19 pandemic, CPI is forecast to have increased by 16.8% in the 10-year period to the end of FY22/23. In this time, the CAA has implemented general price increases of only 5.3%.

Up to this point the CAA has been able to absorb this inflationary increase through efficiency and cost saving measures, however the limit of what is possible whilst still being capable of providing the requisite level of regulatory oversight has now been reached. We are now in a position whereby it is essential to increase our funding to fulfil our statutory duties.

Taking this into account, the CAA propose a general price increase of 2.9% for FY22/23 across all schemes, in line with the CPI rate at 30 September 2021, with the exception of the Spaceflight scheme. All proposed individual charges mentioned in Chapter 4 are exclusive of the proposed 2.9% price increase, unless otherwise stated.

### Design and Certification

#### **Background**

On 31 December 2020 the CAA withdrew from the EASA system resulting in the regulations and certification standards for airworthiness, including initial airworthiness<sup>1</sup>, being transposed into UK regulation along with all other aspects of the EU aviation system of regulation.

The CAA is now responsible for all aspects of initial airworthiness regulation, including;

- Ensuring design aspects of the aircraft type, products and components comply with the Standards in ICAO Annex 8;
- Issuing TCs (Type Certificates);

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<sup>1</sup> Initial airworthiness within the CAA is referred to Design and Certification in terms of its capability team.

- Approval of AFMs (Aircraft Flight Manuals), MMELs (Master Minimum Equipment Lists), CDLs (Configuration Deviation Lists);
- Approval of changes to the Type Certificate;
- Approval of Design Organisation approvals;
- Transmission of any ICA (Instructions for Continued Airworthiness) and MCAI (Mandatory Continuing Airworthiness Information), including issue of Airworthiness Directives, necessary for the safe operation of the aircraft (including suspension and revocation of TCs); and,
- Addressing information received from State of Registry on faults, malfunctions, defects and other occurrences.

The adoption of this responsibility was a substantial increase in workload for the CAA. A dedicated team was established to handle these new responsibilities, for which recruitment, training and implementation has been handled over the past two years. While the team was being established a placeholder fee was introduced into the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.10.2) to provide sufficient funding while the CAA transitioned away from the EASA system. This structure was temporary in nature, with the price mechanism being based on the most recent DOA oversight invoice being issued by EASA.

Upon raising the invoices for the transition and annual charges it became apparent that the fees calculated would exceed the budgetary requirements for the CAA Design and Certification team for the relevant periods. The costs of the Design and Certification team in FY20/21 were lower than we had assumed due to the recruitment of new resources being slower than anticipated. It should also be noted that the DfT agreed to fund some set-up costs during that year on a one-off basis. As such, a credit note of 70% of the transition fee was issued to invoiced organisations and a 50% reduction in the annual charge fee published in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.10.2.3 a). The projected cost base for FY22/23 is expected to return to the FY21/22 budgeted level as the recruitment and training to build capacity and capability continues.

Now that the future landscape for regulatory responsibility has greater stability the CAA is in a position to establish an appropriate and sustainable charging structure that allows the activity to be appropriately funded in order to deliver the required regulation, oversight thus supporting industry as it recovers from exiting the EASA system and the Covid-19 pandemic.

### **Charging**

The associated fees for the issue and oversight of Part 21 Subpart J approvals have previously been set out in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.10.2), however as alluded to above, this mechanism was a short-term solution calculated on the basis of the most recent EASA-equivalent invoice.

The past year has provided the CAA with a better understanding as to the approach and resources required to provide the necessary level of service to effectively regulate the Design Organisations in the UK. As a result, we propose to separate the charging of Part 21 Subpart J oversight and Continued Airworthiness activities. The

proposed charging structures are broadly similar to those adopted by EASA, with some differences to make these more appropriate to the UK's regulatory environment.

### **Design Organisation Approvals (Part 21 Subpart J) Annual Charge**

Over the past year the estimated time required to complete effective oversight of Design Organisations has become more apparent, allowing us to establish a specific fee charging structure. It is proposed that the annual oversight charge for Design Organisation Approvals is amended to reflect this.

The initial application charges for both Part 21 J approvals and the ADOA annual oversight charges will remain unchanged as the specific fees already stated in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.10.2.2, table 13 and 3.10.2.3 b) are an appropriate basis for cost recovery. The DOA annual oversight charge, however, will be amended from the current 202% uplift mechanism to introduce a series of specific fees dependent on approval type held by the organisation.

### **Continuing Airworthiness (Type Certification)**

As a result of the CAA's withdrawal from the EASA system on 31 December 2020 there is now a regulatory requirement to perform continued airworthiness tasks in relation to the Type Certificates of aircraft, propulsion systems and other equipment operated in the UK. As this is a new area of responsibility an independent charge has been proposed, levied on those organisations who hold Type Certificates operated in the UK. The associated funding for these activities had previously been incorporated in the DOA annual charge as a temporary measure. We now have clarity as to the work required to complete this activity and the associated data that allows the charge to be structured in a more appropriate way.

EASA already have a charge in place for the same activity they perform on behalf of their member NAA's. As this is a new responsibility for the CAA we have adopted a similar model as our starting point, with an ongoing review as our experience in this area increases. We have set a price point that is approximately 70% lower than the equivalent EASA charge as the intention is to recover only the cost of the activity.

The structure allows for a charge to be levied on the holder of a Type Certificate for each certificate held. The charge is determined by the complexity, weight and thrust of the aircraft, propulsion system or equipment type. There is a differentiation between Type Certificates for UK and non-UK products with the charge for UK; certified products, being twice that of the non-UK; validated products, representing the significantly higher workload required to perform continued airworthiness activities on these products as the Certifying Authority. This is consistent with the approach set out by EASA.

### **Application Charges**

Over the past year the CAA has accepted applications for a number of Design and Certification related approvals, including Type Certificates (TC), Restricted Type Certificates (RTC), Supplemental Type Certificates (STC), Statements of Technical Satisfaction (SOTS), Major Changes/Repairs, Minor Changes/Repairs, MRBR, UKTSOA, Validations, and Transfer of Certificates within UK. Whilst a number of these charges are covered by the Airworthiness Scheme of Charges (ORS5 No. 373), there are still some application types that have not been formally introduced.

The majority of these applications that currently fall outside of the Airworthiness Scheme of Charges (ORS5 No. 373) are being charged with an initial application fee of £627 with an excess hours charge of £209 per hour once three hours of work have been exceeded on the application. These will be formally introduced into the Airworthiness Scheme of Charges in 2022/23 with the same mechanism, with the exception of those items noted below.

### **Flight Conditions**

The CAA has adopted the capability to approve Flight Conditions following the stand up of its initial airworthiness capabilities. It was initially proposed that a fee of £627 will be payable on application for the approval of design related flight conditions. The experience of this year has shown that in a small number of cases this three-hour limit is being exceeded several times over. To ensure the CAA is able to appropriately recover the costs of this work it is proposed that an excess hours charge is introduced on top of the initial application fee, up to a maximum limit per annum. This will allow for complex applications to be appropriately charged without the requirement to raise the fixed fee payable by all organisations.

### **Maintenance Review Board**

The CAA anticipates a small number of requests will be forthcoming in the next year for utilisation of a maintenance review board. This is a similar service offered by EASA for which the CAA does not currently have a charging mechanism in the Airworthiness Scheme of Charges (ORS5 No. 373). It is proposed that a fixed fee is introduced, with the work being subject to an excess hours charge if this initial time is exhausted.

Further detail on all of the proposals described above is provided in Chapter 4.

## Chapter 4 - Charge proposals by individual schemes

This section explains the remaining proposed changes. It shows in detail the effect on individual schemes' charges of the additional activities outlined in Chapter 3 – Main charge proposals.

### Safety Regulation Schemes of Charges

The structural changes and pricing proposals of the Safety Regulation Schemes are detailed below:

#### Air Operator and Police Air Operator Certification Scheme

##### Structural Changes

##### Evidence Based Training Approval

Air Operations Regulation 965/2012 permits AOC holders to substitute the requirements of ORO.FC.230 by establishing, implementing and maintaining a suitable EBT programme approved by the CAA. There is currently no charge in the AOC Scheme of Charges (ORS5 No. 372) to support this approval activity and we anticipate that a small number of AOC holders would wish to seek this approach, therefore we propose to introduce a mechanism to facilitate this. It is expected that the work required to provide approval would be similar to that of the existing Alternative Training Qualification Programmes route, therefore the same fee of £7,630 has been proposed.

##### Pricing Proposals

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

#### Airworthiness Scheme

##### Structural Changes

##### Design and Certification – EU Exit

The CAA proposes to make the following changes and additions in relation to Design and Certification activities.

### *Design Organisation Approvals (Part 21 Subpart J)*

Each organisation holding a UK Part 21 Subpart J approval will be charged an annual fee for oversight work based on the category of their approval. The categories and the associated charges are set out in the table below.

<b>Approval Groups</b>	<b>Annual Charge</b>
Part-21 DOA (categories):	
i) Type certificates	£9,196
ii) Supplementary type certificates (STC) / major repairs	£7,315
iii) Minor changes / minor repairs	£4,598
Part-21 ADOA Equipment approval	£3,589

### *Continuing Airworthiness (Type Certification)*

Each organisation holding a Type Certificate for an aircraft, propulsion system or other aircraft equipment, on the UK register, shall be charged an annual fee for each type certificate held as shown in the table below. The charge will vary depending on whether the product covered by the certificate is a UK product or and overseas product.

<b>Type Certificate Annual Charge</b>	<b>Category</b>	<b>CAA Proposed Charge (UK Products)</b>	<b>CAA Proposed Charge (Non UK Products)</b>
Fixed-Wing Aircraft	Over 150 000 kg	£146,300	£73,150
	Over 55 000 kg up to 150 000 kg	£125,400	£62,700
	Over 22 000 kg up to 55 000 kg	£41,800	£20,900
	Over 5 700 kg up to 22 000 kg (including HPA over 2 730 kg up to 5 700 kg)	£20,900	£10,450
	Over 2 730 kg up to 5 700 kg (including HPA over 1 200 kg up to 2 730 kg)	£2,090	£1,045
	Over 2 730 kg up to 5 700 kg (including HPA over 1 200 kg up to 2 730 kg)	£1,254	£627
	Up to 1 200 kg	£418	£209
Rotorcraft	Large (CS-29 and CS-27 CAT A)	£20,900	£10,450
	Medium (All other CS-27)	£10,450	£5,225
	Small (CS-27, MTOW < 3,175kg, max 4 seats)	£4,180	£2,090
	Very Light (RPAS)	£418	£209
Other piloted aircraft	Balloons and Airships	£418	£209

Propulsion	Turbine engines with take-off thrust over 25 KN or take-off power output over 2 000 kW	£20,900	£10,450
	Turbine engines with take-off thrust up-to 25 KN or take-off power output up to 2 000 kW	£10,450	£5,225
	Non turbine and CS-22.H, CS-VLR App. B engines	£418	£209
	Propellers	£418	£209
Parts and Non-installed Equipment	Parts/Other equipment	£836	£418
	Auxiliary Power Unit (APU)	£14,630	£7,315

### *Flight Conditions*

The current charge for the approval of flight conditions is a fixed fee of £627, equating to three hours of work. To allow for the CAA to recover time incurred on more complex applications an excess hours charge of £209 per hour up to a maximum of £41,800 per annum is proposed. This will allow for these more complex applications to be appropriately charged for without needing to increase the fixed fee payable which is sufficient for the majority of applications.

### *Certification and Validation of Propellers*

Included in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.3) are fees in relation to the certification and validation of engines, but not for propellers. The CAA propose the following charges are introduced:

- Approval or validation of propellers charged at £627 on application with excess hours charged at £209 per hour up to a maximum of £31,350.
- Approval of minor modifications or repairs to a propeller charged at £91 on application.

### *Validation of non-UK design approvals*

A fee for the validation of supplementary type certificates (STCs) and major changes/repairs already exists in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.7, table 11), however an additional category for 'other' validations not covered by the existing table will be introduced with an initial application fee of £627 and an excess hours charge of £209 / hour up to a maximum of £100k per annum. This will provide the CAA with the flexibility to charge for those items which may not fit comfortably in the existing categories if required in the future.

### *Maintenance Review Board (MRB)*

Applications for utilisation of the CAA Maintenance Review Board will be charged at an initial rate of £10,450, equating to 50 hours of work, with any excess time required

being subject to an hourly rate of £209 per hour up to a maximum of £123k per annum. This reflects the significant time that will be required by the CAA to complete this work.

#### *Administrative Validation*

An application is already in use for non-UK TC Holders for the administrative amendment of UK CAA Validated Type Certificate Data Sheets (VTCDS) or Validated Type Certificate Data Sheets Noise (VTCDSN) and applications for UK CAA validation of design approvals under the Further Working Arrangements with ANAC/FAA/TCCA. Applicants are charged a fixed fee of £209 for this service, equating to one hour of work. The CAA is already charging for this service outside of the Airworthiness Scheme of Charges, the proposal is to introduce this in FY22/23.

#### *Transfer of Type Certificates (TC) and Supplementary Type Certificates (STC)*

An application is already in use for the transfer of Type Certificates or Supplementary Type Certificates between design organisations. The applicable charge is £627 per certificate being transferred. The CAA is already charging for this service outside of the Airworthiness Scheme of Charges, the proposal is to introduce this in FY22/23.

#### *Certification of Major Modifications and Repairs*

A charge in relation to major modifications and repairs for aircraft and aircraft equipment already exists in the Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.8), however this is capped at a maximum charge of £44,550 per annum. This cap has not been breached to date, however if a complex application is received it is possible that this would be insufficient, therefore the CAA proposes to increase this cap to £104,500 per annum, equating to 500 hours of work. Applications of this nature are expected to be rare.

#### *Alternative Method of Compliance (AMOC) to an Airworthiness Directive (AD)*

An application is already in use for Alternative Method of Compliance (AMOC) to an Airworthiness Directive (AD). Applicants are charged an application fee of £836 for this service, equating to four hours of work. Hours incurred in excess of this will be charged at £209 per hour up to a maximum of £10,450 per annum. The CAA is already charging for this service outside of the Airworthiness Scheme of Charges, the proposal is to introduce this in FY22/23.

### **Bilateral Agreements**

#### *Transition, Initial, Variation and Annual Charges*

In the current Airworthiness Scheme of Charges (ORS5 No. 373, paragraph 3.10.6, tables 16 and 17), bilateral agreements held with the National Aviation Authorities of USA, Canada and Brazil are all separately identified and have specifically applicable

charges. Prior to EU-Exit this was reasonable as the CAA only had a small number of agreements of this type. Since EU-Exit the expectation is that a large number of these agreements will be sought and signed in the coming years. As such, identifying each agreement with a unique charge in the Airworthiness Scheme of Charges was deemed to be inappropriate as it created both an excessive maintenance task each year and lacked the required flexibility to ensure the CAA are able to charge under these agreements as and when they are signed.

The proposal is to replace the specific agreement charges with six categories depending on the approval type and associated task under the bilateral agreement. Each approval type and additional site will be charged for each bilateral agreement under which an approval is held (i.e. approvals held with the FAA and TCCA will be charged separately with reference to their approval type and any additional sites). The charging categories and associated fees are listed in the table below.

<b>New Classification</b>	<b>Transition</b>	<b>Initial</b>	<b>Variation</b>	<b>Annual - Primary Site</b>	<b>Annual - Additional Site</b>
BA/WA <sup>2</sup> where the other state issues an Approval Number (incl A1/A3/B1)	£3,344	£3,344	£1,150	£1,150	£836
BA/WA where UK Part 145 is provided a privilege to existing UK approval (incl A1/A3/B1)	£1,672	£1,672	£523	£836	£418
BA/WA where the CAA provides an UK approval number for an organisation located in the other state (incl A1/A3/B1)	N/A	£876	N/A	£523	N/A
BA/WA where the other state issues an Approval Number (excl A1/A3/B1)	£2,508	£2,508	£836	£836	£627
BA/WA where UK Part 145 is provided a privilege to existing UK approval (excl A1/A3/B1)	£1,254	£1,254	£523	£523	£314
BA/WA where the CAA provides an UK approval number for an organisation located in the other state (excl A1/A3/B1)	N/A	£876	N/A	£523	N/A

## Pricing Proposals

<sup>2</sup> Bilateral Agreements (BA) / Working Arrangement (WA)

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Personnel Licensing Scheme**

### **Structural Changes**

#### **E-Examinations**

##### *Part-BFCL and Part-66L*

Our online examination service, currently used by PPL candidates, is due to be extended to offer online examinations for Part-BFCL and Part-66L candidates. The online examination service is being expanded as a means to continue improving safety standards by providing enhanced security of the question bank through online delivery and randomisation of questions – making rote learning more difficult. The service also provides the added benefit of digitalising a currently paper-based process resulting in administrative savings for both industry and the CAA whilst being a more environmentally friendly initiative – enhanced further as candidates are able to take exams at regional locations – reducing cost and time for travel and also providing further associated environmental benefits.

The fees proposed for the BFCL exam is £10 per sitting and for the Part-66L exam £25 per sitting, reflecting the associated complexity in the exam content. The price point is sufficient to allow the CAA to cover the ongoing costs of hosting the e-examination service and maintenance of the question bank. Volumes for this service are expected to be relatively low.

##### *Re-marking fee*

Currently the CAA offers a re-marking fee for professional FCL and AML e-exams, charged at £133 on application with the fee repayable if the re-marking results in a passing grade. This fee is to be extended to cover PPL, Part-BFCL and Part-66L e-exams in recognition of the increasing number of requests to re-mark exams that the CAA has received in recent years. The re-marking exercise requires some system development and a significant time commitment from specialist resource in the CAA, therefore the proposed fee is justified on a cost recovery basis. The charge shall be refunded if a pass is subsequently awarded as a consequence of an error made by the CAA.

#### **Aircraft Maintenance Engineer Licence assessment qualification**

As a result of the UK leaving the European Union a number of overseas National Aviation Authorities now request the provision of an individual's engineering records when performing a verification of licence documents. Where these documents are requested the CAA shall charge a fee of £123 in order to cover the additional effort required to provide this documentation.

## **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Aerodrome Licensing and ATC Services Regulation Scheme**

### **Structural Changes**

There are no proposed structural changes to this Scheme.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **General Aviation Scheme**

### **Structural Changes**

#### **Model Aircraft**

Under Article 16 model aircraft with a mass greater than 25kg will now be charged an annual renewal fee of £20. This replaces the existing three-year renewal charge of £59 which had been payable under Article 266. This change has already been communicated to the affected industry and the move to an annual renewal cycle has been accepted and adopted.

It has been noted that some users have been confused when attempting to establish fees relevant for Model Aircraft. To aid the readers understanding of the General Aviation Scheme a new Model Aircraft section will be created. This will move sections 3.3 Model aircraft public display permissions, 3.4 Exemption to fly a model aircraft >20 kg (zero fuel weight) (ZFW) and the reference to 'large model aircraft' in section 3.11 Unmanned aircraft systems (UAS) – operational authorisations into a dedicated paragraph. The fees chargeable for the related services will remain unchanged.

#### **Special UAS Projects**

A Special UAS project is one which involves additional operational support activity from the CAA that is not covered by any other charges. The existing charge for a Special UAS Project is set at £1,771 payable on application with excess hours incurred at £243 per hour up to a maximum of £146k per annum. The current cap has not been breached historically, however there is the potential for substantial,

complex applications to be received in the future which may render the current cap insufficient. As a result, the CAA proposes to increase the cap to £506k per annum, equating to 2k hours of work. The increase is purely a precautionary measure, allowing sufficient recovery against the rare occurrence of a complex, multi-year project.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Airspace Scheme**

### **Structural Changes**

There are no proposed structural changes to this Scheme.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

# **Consumers and Markets Schemes of Charges and Economic Regulation of NATS**

## **Air Transport Licensing Scheme**

### **Structural Changes**

There are no proposed structural changes to this Scheme.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Regulation of Airports Scheme**

### **Structural Changes**

There is a risk that over time charges that at one time reasonably reflected the resources deployed by the CAA, no longer reasonably reflect how resources are now deployed in practice. The CAA is aware that the focus of its economic regulation

work has changed over time to reflect different challenges and issues that have arisen, and to reflect the different forms of regulation applied to the regulated companies. Given that, we will over the next year review the charging structure for economic regulation, and consult on proposals that look to ensure that the charges moving forward reflect expectations for the amount of resources deployed to undertake the economic regulation of each company.

We recognise that this is a very challenging time for all of the regulated companies and the sector more generally. We will consult extensively on options for change and consider the need for a transition period to implement any changes we propose to make.

There are no proposed structural changes to this Scheme at this time.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Economic Regulation of NATS (En Route) Plc (NERL)**

### **Structural Changes**

The CAA has reviewed its approach in relation to meeting the cost of its economic regulation activities for air traffic services. Historically, the CAA has charged NERL an annual licence fee (and an additional fee when conducting price control reviews), which has then been incorporated into NERL's operating costs and charged to airspace users through its regulated charges. We consider that it would be more appropriate and transparent, for the beneficiaries of CAA's regulation of NERL to meet the costs of regulation directly. This would also remove any perceived conflicts in terms of CAA seeking to agree the licence fee with NERL. We therefore intend to incorporate CAA's NERL economic regulation costs into the existing CAA airspace costs, recovered through the UK en route unit-rate. We shall also make an equivalent adjustment to NERL's operating costs to ensure no duplication of recovery and a net neutral outcome for airspace users.

Noting the ongoing NR23 review to establish new price controls for NERL, and airspace costs for CAA and the Met Office, for the period 1 January 2023 to December 2027, it is proposed the change in approach is timed to align with NR23. Therefore, for the period 1 April 2022 until 31 December 2022 the CAA will continue to charge NERL a (pro-rated) licence fee for economic regulation oversight based on the 2021/2022 licence fee and additional fees for consultancy and (professional fees) in common with the established process over previous years, rather than through this Charges Consultation.

For the period 1 April 2022 to 31 December 2022 the CAA shall invoice economic regulation fees of £731k directly to NERL, being the pro-rate charge applicable to this period.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Air Travel Organiser's Licensing (ATOL) Scheme**

### **Structural Changes**

#### **Specific ATOL Exemption**

The ATOL Scheme of Charges (ORS5 No. 383, paragraph 2.13, table 6) currently includes a fixed fee of £113 payable on application. A small number of cases recently received by the CAA have required a substantial level of work, for which the CAA currently has no means of recovery. As such, an excess hours charge is proposed at a rate of £181 per hour up to a maximum of £100k per annum. This will allow for the CAA to recover the costs incurred on these exceptional applications without requiring an increase in the fixed fee payable by all applicants.

### **Pricing Proposals**

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Aviation Security Scheme**

### **Structural Changes**

#### **Aviation Security Instructor Re-certification**

The CAA will be launching a digital (re)certification system for Aviation Security Instructors in 2022, which will cover both new instructors and existing instructors seeking renewal. Presently, the CAA does not have a re-certification system, which is a requirement of ICAO Annex 17, ECAC Doc 30, and EU 2015/1998 as retained in UK law (in the UK NASP) – the new system is therefore required for compliance with regulation. Furthermore, the assessment element of the new (re)certification system will address identified vulnerabilities in the aviation security training programme through assuring instructor competency; aligning with an outcome-focussed regulatory approach. Lastly, the current manual approach is onerous for both

stakeholders and the CAA training team and the move to a digital process will add efficiency and robustness to the (re)certification process.

The assessment required for the certification of instructors will be based on a modular approach, with a core module required to be taken by all candidate instructors, and 7 possible specialist modules based on the requested certification (for example Cargo). Recertification will be required on a five-year cycle. The charge per assessment module will be set at £30, payable in advance of the module being accessed.

The project team have already consulted with industry on these proposals outside of this Charges Consultation document and the suggested service and fee level has been broadly accepted.

## Cyber

Cyber Security is an increasing Government priority for all sectors and this is laid out in the updated National Cyber Security Strategy soon to be published at the end of 2021. Regulations placing requirements on Operators of Essential Services (OES) have been in place since 2018 and this covers some key aviation entities. In response, the CAA developed the Cyber Security Oversight Process for Aviation in document CAP1753. This places requirements on entities to define their critical systems and ensure they have measures in place to protect information systems, the data on them and the services they provide from unauthorised access, harm or misuse. In addition, the National Aviation Security Programme (NASP) brings additional aviation entities into scope of this framework and comes into effect on 31 December 2021.

The CAA Cyber Security Oversight team have been working with the 12 OES entities with a small team of specialists and funding for this activity is covered under the existing Aviation Security Scheme of Charges (ORS5 No. 384, paragraph 6). In order to engage with the additional 100 entities in scope of the NASP, CAA need to increase the number of Oversight Specialists. The Cyber Security specialists engage with each aviation entity during key points of the 6 step framework providing advice and guidance which helps industry to mitigate its risk and work towards providing a statement of assurance.

CAA recognises the need to be proportionate and that is fundamental to the design of our framework. Our activities are focussed on those entities with critical systems with a link to safety and security risk. The increase in the number of entities in scope of regulation means we need to increase our resources to align with the demand. The CAA propose to introduce an annual charge to recover these costs of £5K per NASP entity.

## Pricing Proposals

The prices under this Scheme are proposed to increase by 2.9%. Unless otherwise indicated all prices shown in this document are exclusive of these proposed general price increase.

## **Spaceflight Scheme**

### **Structural Changes**

There are no proposed structural changes to this Scheme.

### **Pricing Proposals**

There are no proposed price increases under this section.

## **Other Proposals**

### **Structural Changes**

#### **Means of Payment**

Through the adjustments required to working practices resulting from the COVID-19 pandemic the CAA has taken steps to digitalise almost all processes. One area this has provided a significant benefit to both the CAA and external stakeholders is the move away from physical forms of payment, such as cash and cheques. This has improved efficiencies in the application process, providing a benefit to both the CAA and external stakeholders, whilst also allowing staff to work remotely and improving the security and controls around payment management.

In FY20/21 the CAA accepted 371 payments by cheque amounting to £66k and only 2 nominal cash payments were received, compared with an overall cash inflow of £137m made up of hundreds of thousands of individual transactions. As such, the CAA proposes to cease accepting payment via cash from 1 April 2022 and begin phasing-out payments via cheque, instead offering payment via card (either over the phone or through one of our ecommerce solutions), via bank transfer or via direct debit in some cases.

### **Pricing Proposals**

There are no proposed price increases under this section.